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1) Cabinet Office poll: Nearly 60 PERCENT "strongly" patriotic, highest ever

SANKEI (Page 1) (Abridged)
April 13, 2008

People having a "strong" love of Japan accounted for an all-time high of 57.0 PERCENT in a Cabinet Office survey of social awareness released yesterday. Meanwhile, the proportion of those who answered that they want to contribute to society also reached an all-time high. The Cabinet Office analyzes: "This is probably because the public is increasingly becoming concerned about the nation and

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society."

The survey was conducted in February this year with a total of 10,000 persons chosen from among men and women, aged 20 and over, across the nation. The retrieval rate was 54.9 PERCENT .

The proportion of those who answered that they have a "strong" love of Japan was up 4.9 points from the last survey taken in January 2007. Those who would like to contribute to society accounted for 69.2 PERCENT , also the highest ever (62.6 PERCENT in the last survey). Meanwhile, 51.7 PERCENT answered that the public interest should come before individual interests, up 4.3 points from the last survey.

2) Ahead of G-7, Nukaga, Paulson agree to consider every possible policy approach to bring about monetary stability

NIKKEI (Page 2) (Abridged slightly)
April 12, 2008

Toshiki Yazawa, Washington

A meeting of the Group of Seven (G-7) finance ministers and central governors opens on the afternoon of April 11, or before dawn of April 12, Japan time. Ahead of the G-7 meeting, Finance Minister Fukushima Nukaga met U.S. Treasury Secretary Henry Paulson on the morning of April 11 and agreed that Japan and the United States would consider every possible policy step in addressing financial turmoil in close cooperation. They also confirmed a policy course to pursue policy coordination in broad areas, including enhanced involvement of the public sector in order to prevent a financial crisis. Nukaga also conveyed to his U.S. counterpart Japan's measures to reinforce its growth dynamic.

Minister Nukaga, after his meeting with Secretary Paulson, briefed the press on their discussion. He also stated this about the U.S. economy: "Although the U.S. economy is slowing down, it basically is sustaining its growth dynamic and will certainly expand in the future. It is important for financial institutions to determine their losses and increase their capital." He indicated that the top priority for financial institutions was to voluntarily boost their

capital bases in order to restore economic health swiftly. In the meeting, Paulson stopped short of directly mentioning an infusion of public funds, though he offered an explanation on the current situation of the U.S. housing loan market and ways to increase the involvement of the public sector. He reportedly also offered an outlook on financial institutions' steps to increase their capital bases.

Nukaga told him that although the Japanese economy has reached a pause in its growth, the government would strengthen its growth potential so that Japan would be able to contribute to the global economy. He singled out Japan's willingness to pursue regulatory reform in order to increase domestic demand. The two leaders also discussed their respective views on exchange rates. But Nukaga commented in the press conference, "I would like to refrain from mentioning anything about it at this time."

Following his meeting with Paulson, Nukaga met World Bank President Robert Zoellick. Nukaga revealed Japan's plans to counter global warming and to assist the development of Africa, focusing on the Tokyo International Conference on African Development (TICAD) to be

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held in May in Japan and the G-8 Lake Toya Summit in July.

3) BOJ Gov. Shirakawa makes safe debut in G7 meeting

TOKYO SHIMBUN (Page 2) (Slightly abridged)
April 13, 2008

Atsuhi Kanamori, Washington

New Bank of Japan (BOJ) Gov. Masaaki Shirakawa commented on the Group of Seven finance ministers and central bank governors meeting on April 11, in which he took part for the first time as BOJ governor: "The G7 has discussed issues on a broad aspect." Shirakawa left for Washington on April 10 after receiving formal appointment on the night of 9th. He explained well the BOJ's monetary policy to the finance ministers and central bank governors of other G7 members. He made a safe debut as governor of the BOJ at the international conference.

Shirakawa, who met the press along with Finance Minister Fukushiro Nukaga after the G7 conference, said with a smile: "I received words of warm greeting from central bank governors." He continued: "I explained that in order to stabilize the monetary system, liquidity in supply is important." He expressed a sense of relief for having explained Japan's monetary policy, his minimum job as BOJ chief.

Since the G7 finance ministers and central bank governors frankly discuss exchange policy, on which the interests of G7 members clash, and then (come up with) policy that manages the world economy, their unity is strong and they build special communication channels.

As a BOJ policy board member, Shirakawa attended monetary international conferences, so he has many friends among European and U.S. financial authorities. Prior to the G7 meeting, European Central Bank President Jean-Claude Trichet expressed his welcome, saying: "I know him well." Although Shirakawa became governor of the BOJ after political turmoil, he was accepted easily by G7 central bank governors, who know his capability.

However, few foreign correspondents appeared at his press conference. It was a lonely event.

4) BOJ Gov. Shirakawa plays up his personal network in G7 meeting

YOMIURI (Page 9) (Full)
April 13, 2008

Kenya Hirose, Washington

Newly appointed Bank of Japan (BOJ) Gov. Masaaki Shirakawa, who assumed his current post on April 9, has just made his debut at a meeting of the Group of Seven (G7) finance ministers and central bank governors in Washington. At a ceremonial photograph session,

Shirakawa casually played up the breadth of his personal network with financial officials of the G7 countries, such as by talking cheerfully with Bank of England Gov. Mervyn King.

At a press conference after the G7 conference, Shirakawa stated:

"This time, I felt that various problems in the monetary system have appeared in a different form. I am determined anew that the BOJ should contribute to the stability of the world economy and monetary

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market."

Shirakawa is expected to meet on the 12th separately with U.S. Federal Reserve Board (FRB) Chairman Ben Bernanke and European Central Bank President Jean-Claude Trichet. He is likely to brief them on Japan's experience of having overcome its own monetary crisis by injecting public funds. It remains to be seen how far he can display the BOJ's presence in his meetings with top leaders of foreign central bank banks. His capabilities are now being tested.

5) Government to provide Ghana, Angola, and Nigeria with yen loans in order to secure natural resources

YOMIURI (Page 2) (Full)
April 13, 2008

The government has firmed up a plan to designate three African countries - Ghana, Angola, and Nigeria - which are rich in natural resources as eligible for yen loans. The aim is to secure natural resources by underwriting the economic development of the three countries with the cooperation of Japanese companies that are now considering resource development there. The decision will be announced in May at TICAD, the African development conference to be held in Yokohama City.

Of the 53 African countries, only 21 are now eligible for yen loans. The reason is that there is anxiety about many of the countries being able to repay the loans due to their sluggish economies or unstable political conditions. Angola has never been provided with yen loans. Ghana last received yen loans in 1999, and Nigeria has not been provided with such since 1991.

Ghana is rich in bauxite, and both Angola and Nigeria are oil-producing countries. As a result, a number of Japanese companies are considering resource developing in those countries. Late last year, the Japan Business Federation (Nippon Keidanren) released an opinion paper that called for expanding the countries eligible for yen loans, focusing on Africa.

The government at the TICAD conference is thinking of adopting a "Yokohama Declaration" as a memorandum of agreement. It will stress the importance of the role of the private sector in African development. The new policy plan will be reflected in that statement.

6) Government plans to remove ban on private companies proposing ODA projects

ASAHI (Page 1) (Abridged)
Eve., April 12, 2008

The government has firmed up its policy intention of removing the ban on Japanese companies, such as trading firms, proposing official development assistance (ODA) projects. There will soon be a formal agreement between the government and the Japan Business Federation (Nippon Keidanren). Although until now constraints have been placed on providing assistance to designated companies, the method (of allowing private companies to come up with ODA projects) is already occurring actively in American and Europe, so it was decided that Japan, too, would greatly change its ODA policy.

By strengthening the ties between the government and private sector,

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it would not only make it easier for private Japanese companies to make inroads into developing countries, it also would lead to a more efficient allocation of the ODA budget, which has dropped to fifth place in the world due to cuts in it that reflect Japan's difficult fiscal situation. On the other hand, there is also concern about collusive relations being formed with designated companies, so the challenge will be how to ensure there is both transparency and fairness in the ODA process.

According to an informed source, in the context of the ODA budget being cut, Keidanren proposed building a new framework of cooperation between the public and private sectors. The three-pronged proposal is: 1) build a framework for regular dialogue; 2) let private companies considering advancing into those countries join feasibility studies for projects in those same countries; and 3) institutionalize the carrying out of ODA projects proposed by private companies.

If it becomes possible to assist designated companies, yen loans could be provided to Madagascar, which is rich in such rare metals as nickel and titanium, for building port facilities. This kind of project is expected to greatly lower the shipping costs of Japanese trading firms already making inroads into that country. Many trading firms also similarly have their eyes on oil-rich Angola, as well.

There is no rule formally banning assistance to designated private companies; it is a self-imposed restriction. Regarding changing such a policy, Foreign Minister Koumura at the Africa Partnership Forum, an international conference held in Tokyo on April 7, expressed his views about actively carrying out ODA through the cooperation of the public and private sectors, stating: "In order for African economies to achieve sustainable development, it is absolutely necessary that infrastructure be built in order to diversify industries and bring in private investments." The government plans to publicize Japanese new assistance paradigm to developing countries at the fourth TICAD conference in May that Japan will chair, as well as the Lake Toya G8 Summit in Hokkaido in July.

7) Japan-U.S. missile defense poses no threat

NIKKEI (Page 2) (Full)
April 12, 2008

The Japanese and Russian governments on April 11 held security discussions in Tokyo at the vice minister level. Russia asked for a briefing on the missile defense (MD) system that is being deployed through cooperation between Japan and the United States. The Japanese side stated: "It is purely for defense and presents no threat to surrounding countries."

8) U.S. jet mistakenly drops 2 live bombs off Okinawa

YOMIURI (Page 34) (Full)
April 12, 2008

An AV-8B Harrier attack plane of the U.S. Marines in Japan mistakenly dropped two live bombs into the sea about 2.8 kilometers outside of training waters near the island of Kumejima in Okinawa Prefecture when it was on a training flight mission Apr. 9 over a U.S. Air Force firing range on the island of Torishima in the Okinawa prefectural town of Kumejima, the Defense Ministry Okinawa Defense Bureau announced yesterday. The Okinawa prefectural

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government has filed a protest with U.S. forces in Okinawa and called for the U.S. military to take measure to prevent a recurrence and to clear up the cause of the incident.

A spokesman for U.S. forces in Okinawa announced on the evening of Apr. 10 that the AV-8B had mistakenly dropped practice bombs that contain no ammunition powder when it was in training at around 2:45 p.m. that day, according to the Okinawa Defense Bureau. Yesterday evening, however, the U.S. military corrected the announcement, saying the training was conducted April 9 and the mistakenly dropped bombs were live bombs.

Torishima is an uninhabited island situated about 28 kilometers north of Kumejima, an island outlying west of Okinawa's main island. The training range has a radius of about 5.5 kilometers around Torishima.

9) Okinawa police to send papers to prosecutors on two U.S. Marines in connection with 2006 Okinawa robbery

NIKKEI (Page 3) (Full)
April 12, 2008

Two U.S. Marines stationed in Okinawa have been detained by U.S. military authorities in connection with a taxi robbery that occurred in Okinawa City in 2006, according to informed sources yesterday. Okinawa prefectural police have questioned the two Marines in cooperation with the U.S. military. As soon as the charges are set, the police will send papers on them to prosecutors as early as next week on suspicion of robbery.

If the Naha District Public Prosecutors Office indicts them, their custody would be handed over to Japan in accordance with a provision of the Japan-U.S. Status of Forces Agreement.

The incident occurred shortly after 4:00 a.m. July 4, 2006. The two black U.S. Marines allegedly grabbed the 64-year-old driver of the taxi they were in on a street on 1, Chuo, Okinawa City, and walked away with his wallet containing several 10,000-yen notes.

10) Marine accident office blames ex-captain and "insufficient watch" for Aegis accident

YOMIURI (Page 1) (Slightly abridged)
April 12, 2008

A task force of the Marine Accident Investigators' Office (MAIO) concluded that the Feb. 19 collision of the Maritime Self-Defense Force's Aegis-equipped destroyer Atago with the fishing boat Seitoku Maru was mainly attributable to the Atago's "insufficient watch" that failed to monitor the movements of fishing boats. The Atago continued to run on autopilot steering, and the crew did not become aware of the fishing boat Seitoku Maru until just before the accident. As a result, the Aegis ship could not avoid the Seiroku Maru when the crew became aware of it.

The MAIO will ask the Yokohama Marine Accident Inquiry Agency possibly next month to start a hearing of those involved in the accident, including the 34-year-old MSDF lieutenant commander, an antisubmarine warfare officer who was on duty when the accident took place, as well as Capt. Ken Funato, 52, then the Atago's commander.

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The MAIO task force believes that the Atago, which had spotted the Seitoku Maru ahead of it on the right, had the obligation to give way, and that the accident could have been avoided if the former antisubmarine warfare officer had ordered the Atago's crew to keep watching the Atago's lights. The task force also believes that Funato had failed to thoroughly instruct senior officers, who are in charge of duty officers, and other crewmen to pay attention to safe navigation.

The former antisubmarine warfare officer was on duty from 4 a.m. on the day the accident occurred, so he was in a position to spot fishing boats about to cross ahead and collide, according to MAIO sources. Nevertheless, the Atago did not keep watching those fishing boats with its officers on duty or radar and kept its autopilot steering on. The Atago became aware of the Seitoku Maru right before the collision. The destroyer then switched from autopilot steering but still could not dodge the Seitoku Maru and collided with the fishing boat at 4:07 a.m.

11) Reallocation of road revenues to general account decided: Suspicion that the plan has been rendered ineffective because of vague contents, procedures; Road policy clique in Diet put up strong opposition

The government and the ruling parties on April 11 finalized their decision regarding talks between the ruling and opposition camps to discuss special-purpose road construction revenues. Prime Minister Yasuo Fukuda will aim at shifting the road tax revenues to the general account, starting in the fiscal 2009, as he had previously proposed, based on this decision. Since the contents and procedures of this policy plan are vague, whether the proposal will be realized in line with the prime minister's intention is unclear.

The prime minister that evening stressed to reporters, "I do not think what has been decided will be derailed at all. Nobody thinks so, do they?" However, contrary to the prime minister's bullish remark, there remains concern that the decision might be derailed.

The first controversial point is the wording that the special-purpose road construction revenues system is to be abolished in the 2008 tax code revision. Fiscal resources to make up for the abolition of the special-purpose revenues must be found under the current stringent fiscal condition. One participant in a road-related meeting of the New Komeito has already noted, "The plan to free up road tax revenues should be forgone, unless a drastic reform, including reform of the consumption tax, is achieved."

The plan also adds an element not seen in the prime minister's proposal announced on March 27 -- "Roads that are deemed necessary will be steadily built." This leaves a possibility of a huge amount of money being diverted for the building of roads, even if road revenues are shifted to the general account.

There is also concern about procedures. The Liberal Democratic Party (LDP) simply obtained authorization at an executive meeting, after securing at an executive liaison council meeting approval for leaving the matter to the leadership to work. Procedures for obtaining a formal decision at the General Council were omitted. The New Komeito just had party executives explain the plan at a joint

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meeting of road-related divisions.

The Koizumi cabinet once came up with a policy of freeing up the road tax revenues. However, the proposal was rolled-back by the LDP road policy clique in the Diet. As a result, only a portion exceeding road-related expenditures was shifted to the general account, based on a cabinet meeting during the Abe cabinet. Likewise, the plan adopted this time could be derailed.

The reason that the plan ended up with vague contents and procedures is because Election Committee Chairman Makoto Koga, a heavyweight in the LDP road policy clique, and General Council Chairman Toshihiro Nikai opposed the idea of giving assurance to the reallocation of the road funds to the general account.

12) DPJ takes position that it is difficult to reach agreement:
Hatoyama ready to respond to talks

TOKYO SHIMBUN (Page 2) (Full)
April 12, 2008

Referring to the decision reached between the government and the ruling parties on special-purpose road construction revenues, Democratic Party of Japan (DPJ or Minshuto) Secretary General Yukio Hatoyama during a press conference on April 11 noted, "The decision is based on the premise that the bill amending the Special Tax Measures Law is to be enacted without revision and that the provisional tax rate is also to be reinstated. It is impossible for our party to agree to such a proposal."

Hatoyama questioned the inclusion in the decision reached by the government and the ruling parties of words that roads that are deemed necessary will be steadily built. He said, "I doubt that under such a proposal, road revenues can be used more for medical

services, welfare, education and the environment."

He again indicated his stance of calling on the government and the ruling parties to make their decision a party decision at the LDP Executive Council or a cabinet decision. He expressed readiness to respond to talks with the ruling parties, however.

13) Government, ruling camp agree on plan to shift road tax revenues to general budget in bid for Fukuda administration's survival

ASAHI (Page 1) (Full)
April 12, 2008

The government and the ruling parties formally agreed yesterday on a plan to move highway-related tax revenues into the general budget starting in FY2009. The plan was proposed by Prime Minister Fukuda in a desperate effort to regain his administration's political ground. A written agreement noted: "Necessary highways will be constructed steadily," so the plan could be emasculated in the future. Even so, Fukuda has surely crossed the Rubicon.

Although both the Koizumi and Abe administrations addressed the issue of moving road tax revenues to the general account, they were unable to implement the challenge in the face of resistance from the Liberal Democratic Party road-policy clique in the Diet. If the Fukuda administration succeeds in translating the plan into action, that will be a major reform of LDP politics. But the road-policy

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clique and the Land, Infrastructure and Transport Ministry have been fiercely raising objections to the plan.

Fukuda told reporters yesterday: "We made the most significant policy decision in the meeting today. If the decision is easily withdrawn, our party will lose public confidence." A close aide to Fukuda also said: "This will be a major reform that the Koizumi and Abe administrations failed to carry out."

A system to allocate tax revenues for road construction and maintenance projects on a priority basis was established in 1954. This system was in a sense a vote-magnet for the LDP to win support in elections in exchange for allocating public works projects. In other words, the system is a fundamental element of postwar LDP politics.

By setting forth the major goal of shifting road tax revenues into the general account starting in FY2009, Fukuda aims to give a boost to his administration.

Fukuda intends to revive the provisional gasoline and other highway-related tax rates (which have been expired since April 1,) by taking an override vote in the House of Representatives in late April. The written agreement also specified that the related bills should be enacted at an early date. It has been necessary for Fukuda to fly the banner of reform as part of efforts to lay the groundwork for introducing the unpopular policy of raising gasoline prices again.

Key points in the agreement between the government and the ruling camp

? The agreement is premised on passage of a FY2008 revenue bill and other related bills at an early date.

? Thoroughly eliminate waste of expenditures at highway-related public corporations and in the road improvement special account.

? Abolish the system to allocate road tax revenues for road construction projects when the tax system is reformed this year and move the revenues into the general budget starting in FY2009. Take measures to prevent ill effects of the reform on local finances. Implement highway construction and maintenance projects that are considered necessary.

? Review the current tax rates, including the provisional rates, in this fiscal year's tax reform proposal.

? Set the period for the mid-term highway-construction plan at five years and draw up a new plan based on latest demand estimates

14) Aso determined to throw his hat again into the political ring in the next election for LDP president, but party leaders would like to hold him back

NIKKEI (Page 2) (Excerpt)
April 12, 2008

"I am once more resolved to face the challenge," said former Liberal Democratic Party (LDP) Secretary General Taro Aso at a party of his faction held at a Tokyo hotel on April 11. He was stressing his resolve to run again in the next LDP presidential election. According to the sponsors, the party drew 3,000 participants, revealing how popular Aso is. But some of the party leaders who participated in the event voiced words of constraint about his desire to be the prime minister after Fukuda.

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15) Ozawa after discussion with Rengo (federation of trade unions) calls by-election in Yamaguchi-2 a "tough situation"

NIKKEI (Page 2) (Full)
April 12, 2008

Democratic Party of Japan (DPJ) President Ichiro Ozawa on April 11 exchanged views in Iwakuni City, Yamaguchi Prefecture, with the leadership of Rengo's Yamaguchi branch on the by-election for the House of Representatives. The voting will take place on April 27. Meeting with the press afterward, Ozawa pointed out: "We judged that the situation is extremely tough." He then stressed, "The public will be judging the Liberal Democratic Party, New Komeito, and the Fukuda Cabinet."

DPJ Secretary General Yukio Hatoyama at a press conference on April 11 stated: "The results of this election will decide the direction that the issue of using provision taxes as a resource for road building will take."

SCHIEFFER